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The slow formation of neoliberal common sense in Denmark**

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Neoliberalism with Scandinavian characteristics:

The slow formation of neoliberal common sense in Denmark

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Abstract:

This paper traces the ascension of liberal economic ideas in the macroeconomic establishment in Denmark since the 1970s. Based on a systematic analysis of documents from the Danish government and the Economic Council from the 1970s to the aftermath of the 2008 crisis, this paper demonstrates that Denmark experienced a marked shift in paradigms during this period. Full employment Keynesianism dominated the 1970s and neoclassical liberalism became dominant from the late 1980s and early 1990s on.

As such the Danish case fits the general understanding of the transition to neoliberalism. There are complicating factors though. The paper argues that the nature of this paradigm shift is more uneven and gradual than the literature traditionally suggests. Furthermore, the adoption of strict new monetary and fiscal policies took place in the early 1980s, before the intellectual tools of the new paradigm were dominant and developed. This suggests that it was not the intellectual dominance of liberal ideas that caused the initial adoption of neoliberal policies. It is argued instead that the central role of economic theory is rather in legitimating and justifying policy, and that the stability of economic strategy, despite changes in government, point towards a situation where neoclassical liberalism has taken the form of common sense in the policy elite. Remarkably this common sense even includes unions and labour parties. A fact that points toward a special form of neoliberal hegemony in Scandinavia that is more inclusive, technocratic and consensus-oriented, though no less orthodox, than in other countries.

1: INTRODUCTION

One of the most salient debates in the discussion around the dominance of neoliberal policies in recent decades is on the role of economic ideas and theories (Blyth , 2001; Cahill , 2013; Fourcade & Babb, 2002; Mirowski , 2013; Peck , 2010; Pedersen & Campbell , 2001). The exact influence of economic ideas is hard to measure and often the exact character of the influence of ideas is hard to trace, and inherently intertwined with institutions, material forces and power. This paper will offer an empirical take on the question through a historical case study of how and in what form neoliberal ideas have come to dominate in a concrete historical setting: Denmark from the 1970s to the 2000s.

Ever since the work of Katzenstein in small states (Katzenstein, 1985), there has been an interest in the forms of tight-knit, corporatist institutions and concurrent flexibility – when it comes to policy reforms and economic competition – that have characterised the small open economies of Scandinavia and the low countries. In the Danish case, there has been a large body of literature on the specific flexibility of the Danish hybrid-economy, especially determined by the notion of flexicurity (Torben M. Andersen & Svarer, 2007; Campbell & Pedersen, 2007). The specific puzzle here is a bit different, though. It is rather: how did neoliberal ideology come to dominate in a traditionally socially democratic country like Denmark?

In addressing this, the paper traces the historical spread of neoliberal ideas¹ in the Danish macroeconomic establishment, and the specific forms of economic analysis and argumentation that underlie this development. The long-term development of the macroeconomic discussion in the Danish policy arena is documented through an analysis of the theories, models and methods applied by the Ministry of Finance and the Academic Advisory Committee of the Danish Economic Council in the period 1970-2015. The aim is to describe the transformation as well as the continuities in the general outlook of the economy, and the shift in the role of the economic theory, methods and models that underlie macroeconomic policies and economic reforms. The idea is not to understand the implementation of individual reforms or policy models, but rather to describe the more fundamental shifts in economic common sense and the paradigms that underpin the concrete proposals for reform in the period. The aim here is to understand how neoliberal ideas came to dominate in a Nordic welfare state that is often associated with social democratic hegemony.

By tracing the historical development from the crisis of Keynesianism in the 1970s to the early 2000s, the article traces the gradual hardening of the neoliberal consensus in the Danish macroeconomic establishment. While relatively linear in direction, the process is not smooth and free of contention. Instead, we see a highly uneven and contradictory introduction of different waves of liberalisation, where new policy instruments and goals are sometimes implemented before the theoretical justification has gained hegemony. This process of the formation of a new orthodoxy speaks against a simple “causal power of ideas”-approach to liberalisation in Denmark, and points towards an understanding of the ideological role of economic ideas and theory. Distinguishing between a strategic and legitimating role of ideas, the paper argues that market liberal ideas play a role in sustaining and justifying the liberal turn in Danish economic thinking, rather than a strategic role in initiating the process of change. In this legitimating role, neoclassical economic theory plays a central role as the justification and legitimisation of the main lines of policy. It furthermore supports the formation of a sort of a common sense, within elite circles, that constrains the scope of legitimate policy debate.

¹ Neoliberalism, as understood in this article, is not seen as a unitary policy platform where all countries converge towards the same model. Rather it should be seen as a varied and inherently unfinished project of “neoliberalisation”, where different hybrid models are developed and imported to different settings, and adapted to the local context (Peck, 2010). The ambition remains the same, however; the spread of market regulation over larger parts of societal life, and the reshaping of state and government to further this aim.

The paper goes through several steps. First, the overall theoretical approach of the analysis is presented in section 2. This is followed by a methodology section that lays out the sources and mode of analysis. In the analysis, section 4 deals with the main contours of the paradigmatic shifts that take place in the period – the shift from the full employment Keynesian paradigm to that of neoclassical liberalism. Secondly, in section 5, the analysis goes into the particular chronological and institutional character of this development through the decades. The paper concludes with a more general theoretical discussion of the overall role of ideas in the historical trajectory of Danish economic liberalisation, in section 6.

2: ANALYSING ECONOMIC IDEAS

As I will argue below, the historical development of economic ideas in Denmark hardly conforms to a process of simple scientific progress or social learning, where one theory or paradigm is disqualified in favour of a better suited replacement. At the same time, the historical trajectory, where changes in policy precede changes in intellectual justification by a number of years, does not point towards any kind of primary role of economic ideology in the original turn towards neoliberal policies. Instead, a set of more nuanced instruments are necessary when looking at the confluence of economic theory and policy.

2.1 Macroeconomics and ideology

Any coherent political-economic regime needs a grounding in a set of causal claims, perceived to be true². In macroeconomic policy, these ideas are naturally drawn from the dominant economic theory at the time. Economic science has played a central role in the policy realm in the period since the post-war era because it provides a credible and authoritative description of economic problems and instruments for solutions that draw both legitimacy and perceived neutrality from their origin in academia.

Indeed, there has always been something inherently ideological about the field of macroeconomics. Gramsci's notion of hegemony is that the particular interest of a group is successfully presented as the general interest (Gramsci, 1971, 145). In this context, macroeconomics proper has been quintessentially ideological since its inception in the post-war years. Both in its Keynesian and neoclassical variants, the very field of macroeconomics promises the possibility that the state, through the correct set of growth-inducing policies, can create a positive-sum game that transcends political divisions in the nation. In the presentation of a national economy, with the growth of GDP as the central goal of economics, there is a tacit assumption that there is a *one* national interest. By measuring economic wellbeing as a simple means of GDP, furthermore, the idea is entrenched that citizens on a fundamental level share in the overall wealth, with divisions based on class, race and gender added on as political factors that can be discussed after growth is secured. In that way a focus on GDP, by design, obscures the always already distributional effects of any economic system.

2.2 Strategic and legitimating functions of ideas

In looking at the uses of economic ideas, I will argue that it is important to differentiate between the two rather different roles economic theory can play in the process of the formation of policy: the *strategic* and the *legitimizing*.

In the *strategic* functions, theories are used as plans or blueprints that deliver solutions or lay out new institutional orders. This is often connected to moments of crisis, where old institutions are seen as non-functioning, and new institutional orders have to be built, while coalitions of parties, class factions and social groups are being redefined.

² Marcussen defines this as “prevalent and relatively uncontested knowledge structures about cause-effects relationships within the macroeconomic organisational field” (Marcussen, 2000) 11).

The other function is *legitimizing*, justifying the policy of the state and presenting it as rational and legitimate to the population as well as the international world system, comprising private market actors as well as states and international organisations. Theories in this way function as ways of structuring the justification of the given social order; an essentially ideological function of presenting the institutional order as functional and delivering equitable and just results.

In operating with the strategic-legitimizing distinction, it is important not to take this as a distinction between true motivations and external propaganda. Instead, legitimization, that is, formulating the policies of the government in such a way that they appear acceptable to the surrounding world, is one of the most central outcomes of macroeconomic policy.

This does not only include legitimization to the wider public, but also to the business sector, and the owners and managers of capital. It is a crucial function for any government to be able to present policies that are considered to be coherent, effective and legitimate. This is important not only in electoral terms, to survive politically, but in a capitalist economy, it also matters that the owners of capital are on board with the policies, so as to ensure a sufficient level of investment and avoid capital flight. Indeed, in *Buying Time* (Streeck 2014, 21), stressing the importance for governments to legitimate themselves to the owners of capital, Wolfgang Streeck points to legitimization as one of the most central features of economic governance in the age of global financialisation.

2.3 Depoliticisation

A central part of the political power of economic ideas lies in their ability for *depoliticisation*; that is, the process by which concepts and elements are taken from the sphere of political contestation to a realm of technical deliberation (Burnham , 1999)³.

By framing economic questions in a mathematised and formalised form, modern macroeconomics has an inherent tendency to depoliticise debates around central economic issues. By assuming that there are scientifically sure answers to questions of macroeconomic policy, issues that are from the sphere of negotiation between interest and political deliberation can be moved to a realm of technical efficiency.

This process was furthermore radicalised with the rise of neoclassical liberalism, where every economic issue is seen as a problem with the optimisation of the allocation of resources. Duncan Foley explains the transition from Keynesian to rational actor models as a response from policy pressure to find a neutral language to describe the new policies of monetarism. Foley describes how the “sudden triumph of rational expectations theories rested in an important way on their presentation of macroeconomic policy, particularly monetary policy as ‘neutral’, that is, by implication, without impact on distribution” (Foley , 2010a, 12).

2.4 Construction of common sense

If such a program can be formulated and supported by sufficiently powerful social forces in a society, it can take the form of an “elite common sense”. Elite common sense is a set of assumptions that does not cover the entire spectrum of debate but sets the limits of what are considered to be valid arguments in the given settings, thereby

³ Peter Burnham (Burnham 1999) describes the process of transitions, from the politicised management of the post-war period – where the weight was on discretion-based management and the direct steering of the economy – to the depoliticised management of the 1990s, where the emphasis was on rule-based management, and “rule through market mechanism”.

shaping the scope of political action⁴. Kees van der Pijl describes how this happened to the Keynesian theory in the post-war period, where the writings of Keynes and other academics were merged into “an integrated concept that not only satisfied the preferences of politicians, economic statesmen, and academics, but also could provide capitalist rule with a transcendent formula (...) the intellectual legacies of Keynes, Streit, and many others finally merged into a self-evident ‘realism’ and lost their academic particularity” (Pijl, 1989, 9).

Later, after the crisis of the 1970s, a new set of common sense was gradually instated with a merger of liberal policies and neoclassical economics. Huw Macartney defines this new form as “*neoliberal common sense*”, predicated in the first instance on (positing) a causal link between pro-competitive reform and economic growth” (Macartney, 2011, 109). An approach based on the legitimating effect of economic ideas and the formation of common sense allows a way of understanding the development and significance of economic ideology in societal processes without assuming an idealist approach to the causal primacy of ideational development over economic or geopolitical factors (Cahill, 2014). The establishment of a paradigm or ideology as common sense (in either the elite or popular form) can be seen as the conclusion of a successful process of depoliticisation.

3: CASE AND METHODOLOGY

The article represents a single case study on the formation of neoliberal hegemony in a national context (George & Bennett, 2005). To a certain extent, the Danish case could be seen as a ‘least likely’ case of a neoliberal consensus emerging, with the country’s strong trade unions and social democratic tradition. However, it is not the main ambition of the paper to make causal claims about the root causes of the emergence of neoliberal hegemony. Rather, it aims to provide a historically grounded study of how neoliberalism ‘goes local’ (see (Ban, 2016) in the Scandinavian context, and to use this historical case as the basis for a discussion of the some of the more general questions when it comes to the political influence of economic ideas.

The timeframe from the 1970s is determined by the subject matter, in the sense that there exists a relatively broad consensus that the global emergence of neoliberal ideas had their roots in the crisis of the 1970s (Blyth, 2003; Harvey, 2007; Hay, 2004; Palley, 2004; Pedersen & Campbell, 2001; Stahl, 2019b). Whether neoliberalism has been resilient or in terminal crisis after the 2008 financial crisis lies beyond the ambitions of the paper to discuss (Crouch, 2011; Dumenil & Levy, 2011; Helleiner, 2010; Schmidt & Mark Thatcher, 2013), and the analysis therefore stops before the emergence of the crisis. The specific year, 2004, is chosen because it was the last year that the finance ministry published the ‘finansredegørelse’, before the publication was discontinued.

3.1 The Danish macroeconomic establishment

In order to get a comprehensive understanding of the ideational development in the period of neoliberalism, it is necessary to look at the specific set of institutions making up the macroeconomic establishment in Denmark. Historically, this has mainly been composed of the government, primarily the Ministry of Finance, and the research divisions of the employer- and business organisations, mainly the Danish Federation of Industry (DI) and the trade unions, primarily through the economic research council of the TUC (AE-rådet) (Asmussen, 2007; Due & Madsen, 2012; Jensen, 2008). Another central player is the Danish Economic Council, comprised of the country’s most prominent macroeconomists. The council is a formal state institution, and its advice is featured

⁴ Watkins describes this situation in the following way: “Common sense also becomes a material force insofar it imposes parameters of constraint on what is possible politically in any given moment” (Watkins, 2011, 105). This was the case in the post-war period with the merger of social democratic policies and Keynesian macroeconomics.

prominently in the public debate as well as in the central administration. At the same time, the council has a large degree of autonomy. The Ministry of Economy is the formal head but since 1969, the board has been de-facto self-perpetuating in its appointments (Niels Kærgård, 1996; Stahl, 2019a).

There are some characteristics of the Danish macroeconomic establishment that are of particular relevance to this paper. Firstly, independent think tanks have a very limited role, except for the research centres directly connected to the interest group organisations mentioned above. Until the formation of the liberal free-market think tank CEPOS in 2005, there was no effective presence in terms of think tanks. This sets Denmark apart, not only from countries such as the UK, where think tanks have played a major role in the formation of macroeconomic opinion (Desai, 1994; Hay, 2001), but also from neighbouring Sweden (Blyth, 2001; Ryner, 2003).

The second important characteristic is the very high level of consensus among the main economic actors. Through the corporative and negotiated system, a general system of consensus building has been created in Denmark, where we often see general agreement over the general lines of economic strategy and macroeconomic policy, even across business and labour unions. Campbell and Pedersen describe this consensus as “the Brotherhood of Economists” (Pedersen & Campbell, 2014, 197). As a consequence, there is a very high degree of homogeneity at the top of the economics profession in Denmark across universities, the government, and the business sector. Furthermore, there is a large degree of connection and integration between the different sectors (Stahl & Henriksen, 2014).

3.2 Document analysis

The analysis concerns the development of macroeconomic analysis and the following policies in Denmark. In order to track the development, the analysis focuses on regularly published reports, forecasts and outlooks through the period.

The documents surveyed come from two different sources: the Ministry of Finance, the central economic coordinating ministry in the government, publishes an annual statement of the economic situation of the country, and the proposed policies and reforms of the government in the period from the 1970s to 2004⁵. The Economic Council, an independent advisory body headed by leading academics and consulting various social partners, also publishes biannual reports that survey the economic situation of the country and make policy recommendations based on this analysis.⁶

These reports serve various purposes. The Ministry of Finance tries to justify the policies of the government through references to economic science, international authorities and common sense. Recent economic history is presented in a way that supports the government’s position. The Economic Council tries to influence government policy by applying the tools and models of economic science to the available data on the national

⁵ This function shifted between different publications throughout the period, however. In the period of 1970-80, part of this content was found in the Economic Outlook (*Økonomisk oversigt*) published by the Ministry of Economy, in consultation with the Ministry of Finance. From 1980-2004, the yearly budget report published by the Ministry of Finance was expanded to include this analysis, and renamed Finance (Jensen, 2008). From 2004 to 2014, the publication of substantial reports was suspended, which is why 2004 was taken as the end point of the analysis.

⁶ The Economic Council is generally perceived as representing the economic mainstream of the profession – as all decisions in the four-man presidency are taken unanimously, there is a self-conscious attempt to keep appointments within the mainstream. While the analysis of the council is taken seriously in the administration and government as well as in the wider public, the council does not form a part of the administrative hierarchy (Marcussen, 2002).

economy. At the same time as serving these direct purposes, the reports also reveal a more general economic worldview and a set of assumptions and ideas about the nature and efficacy of various policies on certain economic variables. Questions such as the following are addressed: how is the economy structured, what are the main concerns of economic governance, and what tools can and should be applied to tackle these concerns. Because the documents surveyed are not constructed to convey an economic worldview, or theories of causal connection between economic phenomena, this information is available indirectly and piecemeal. The focus in the analysis is on how economic theory is used as a tool that allows for new forms of regulation and as a justification for policies, portraying the policies as beneficial to the general public.

3.3 Analytical framework

The main goal of the analysis is not to trace exact changes in rhetoric and wording, but rather to look at the underlying conceptual mechanics and theoretical assumptions that are employed in the concrete analysis. These theoretical assumptions can be described with the concept of paradigm originating from the works of Kuhn (Kuhn, 1996 [1962]). Kuhn's concept was later imported into the world of political economy by Peter Hall's 1993 seminal paper, where he describes how policy paradigms function as overarching "interpretive frameworks" wherein different goals, policies and instruments are understood and evaluated by actors (Hall, 1993, 278). Drawing on the twin uses of the concept of paradigm – scientific and policy paradigm – this study will show how the interaction between these two worlds – the scientific, represented by The Danish Economic Council, and the political, represented by the Danish Ministry of Finance – plays out over time, and how new ideas are introduced and translated between the two different worlds.

Traditionally, the concept of paradigm has resulted in a focus on breaking points, or disjunctures, where heated debates lead to a sharp shift in theory or policy. However, a focus on such clear breaking points runs the risk of overlooking subtler and more gradual forms of change, which can sometimes happen without major debate, although the effects might be just as radical and transformative over time. To trace changes in paradigms and the understanding of the economy on a general level, without a priori privileging contentious break over other processes, it is necessary to look in the very long-term. This is possible in a Danish context because relatively similar documents dealing with some of the same economic issues are published every year. As such, it is possible to look behind the concrete policies under scrutiny and into the hidden elements of the theories and models shaping the analysis and interventions.

The documents are analysed to survey the broad changes in the economic worldview from decade to decade. For a systematic survey of these developments, the documents have been sampled at 5-year intervals for thorough analysis of the first general report published that year. The regular sampling allows for a consistent tracing of the long-term development of economic ideas. These samples have been used for the construction of the overall chronological development seen in Table 2, and for the construction of the ideal-type paradigms seen in Table 1.

Within this framework, a set of categories are analysed for each of the reports:

- Main perceived economic problems and challenges
- Primary policy goals
- Policy instruments advised – short and long term
- View on certain key economic variables
- Role of government in economy
- Employment and inflation
- Labour market regulation

Beside the systematically sampled reports, the analysis is also based on a number of additional materials and reports that casts light on specific theoretical or methodological innovations and debates. These have been identified through citations in the sampled reports or in the secondary literature.

4: PARADIGMS

Based on the sampled material, it is possible to distil a shift between two distinct paradigms: ‘full employment Keynesianism’ (FEK), which is dominant in the 1970s, and ‘neoclassical liberalism’ (NL), which emerges in the 1980s and finds its form throughout the 1990s. The concept of paradigm here should not be understood in the strict Kuhnian sense of a scientific paradigm, or as Hall’s notion of policy paradigms. It is used instead as meaning the governing logic that is used to describe the structure of the economy and the cause-effect relations between the main variables of macroeconomic policy. With this slim definition, it is possible to identify the two main paradigms described below.

Any construction of a pure paradigm will often take the form of an ideal-type, which is abstracted from observations rather than found directly in the real world. Such ideal-typical constructs allow us see the underlying logics that are invoked in any given context and the modes of reasoning that are employed, and gives structure to a more detailed chronological account. The reason for the use of the concepts of ‘full employment Keynesianism’ vs. ‘neoclassical liberalism’ is to point to the fact that the concrete paradigms are not mere reflections of abstract high theory, but concrete historical formations.

The centrality of Keynesianism in the actual macroeconomic policies of the post-war period need not be overstated. It was just as much the compromise between capital and labour, and the active role of the state in brokering consensus, as the instruments of Keynesian demand management as such that defined the political economy of post-war Europe⁷ (Eichengreen , 1996). But Keynesianism nevertheless provided a language and a set of policies that promised to ensure the smooth operation of the economy as a whole without asking either capital or labour to suffer to an unacceptable extent (Glyn , 1995).

At the same time, neoclassical liberalism does point to the specific form of moderate neoliberalism that emerges in the Danish context based on formal mathematics and neoclassical reasoning. In contrast to Britain or Germany, non-neoclassical forms of neoliberal reasoning, such as Hayekian liberalism⁸ or German ordoliberalism, are very marginal in Denmark⁹. Again, while logical neoclassical economics allows for a presentation of market-oriented policy reforms, this does not necessarily mean that economic liberalism is the only possible interpretation of neoclassical economics.

Table 1: Ideal type paradigms: full employment Keynesianism (FEK) and neoclassical liberalism (NL)

	FEK	NL
Role of government	Active coordinator	Framework for markets
Employment	Full employment	Natural unemployment

⁷ Denmark actually ran with a consistent budget surplus in the period of realised full employment in the 1960s and early 1970s (Danmarks Statistik , 2008).

⁸ As seen in the case of IEA or CPS in Britain (Cockett , 1995).

⁹ The only exception is the introduction of Schumpeterian innovation-theory in the period after 2000, especially through the works of Bent-Aake Lundvall (Danish Government, 2000, 119).

Public sector	Stabiliser	Expense to economy
Short-term instrument	Demand management, income policy	Fiscal stabilisation
Long-term instruments	-	Structural supply side reforms
Dominant policy horizon	Short: 1-2 years	Long: 10 years
Sources: (Danish Government, 1970,1975, 1985, 1990, 1995, 2000, 2004)		
(Danish Economic Council, 1970, 1975, 1985, 1990, 1995, 2000, 2004)		

4A: FULL EMPLOYMENT KEYNESIANISM (FEK)

Short definition: *A dominant policy goal of full employment reached through Keynesian demand management. Secondary objectives of inflation reduction and wage competitiveness reached through income policy.*

The primary policy goal is the securement of full employment and high levels of growth, while at the same time avoiding increasing the trade balance deficit and price and wage inflation to levels where they are able to disturb economic balance. In order to accomplish this, there is a constant need for government intervention and the regulation of the economy, and adaption of the economic strength of economic macro-actors.

In the 1975 report, the Economic Council defined how “the dominant question is naturally the possibilities of reducing the high unemployment” (Danish Economic Council, 1975, 55). At the same time, the government stated that the overriding priority was reducing unemployment to “acceptable levels” – at the time defined as 4% (Danish Government, 1975, 5).

In general, the tools used to secure full employment were Keynesian demand management. Until the 1973 crisis, this was primarily in the form of anti-cyclical monetary policy, but after the advent of the 1970 crisis, this also took the form of fiscal stimulus (Mikkelsen, 1987, 61). The key problem discussed was the international trade and current account balance. The long-term instruments could in some cases include active industrial policy. This was very scarcely discussed, however, and discussion of economic policy rarely exceeds the span of one-two years that was thought to be needed for any economic policy to take effect (Danish Economic Council, 1976, 21).

The primary fear expressed during this time was that a situation of prolonged full employment strengthened labour to a point where wage demands would push up the cost of production and damage international competitiveness. Anxiety over inflation was also present, but it appears to be secondary to the issue of international competitiveness. Inflation is far more often invoked with regards to its impact on international competitiveness rather than as a problem in itself to the domestic economy.

The main policy instrument to secure international competitiveness and domestic price stability was state-coordinated *income policy*. By a direct regulation of wage increases, this policy was supposed to make possible the continued existence of full employment, without wage-driven inflationary pressure. The central role of active income policy in this setup is described in the 1976 report of the Economic Council: “If a reticent income policy cannot be established, it is hard to avoid the fact that unemployment has a function in a system based on market economy – that is restraining inflation. If a full employment policy is undertaken without income policy, the result is inflation, maybe even accelerating inflation” (Danish Economic Council, 1976, 22).

4B: NEOCLASSICAL LIBERALISM (NL)

Short definition: Liberal, market-based policies, based on (and legitimised by) neoclassical reasoning. Dominant policy goals are the creation of structural conditions for market-based growth, by supply side reforms.

There are two elements in the policies prescribed under this paradigm: short-term stabilisation policy, aimed at stabilising inflation and economic balances, and long-term structural reforms, aimed at changing the long-term supply side of the economy, especially the labour market.

This perspective is formulated by the Economic Council in their 1990 report, as “an important explanation of the negative experiences from the 1970s is that supply shocks should be countered with instruments that target the supply side, not the demand side. Some have even made the conclusion that is best to lead the adaption to the market forces, perhaps aided by structural adjustments” (Danish Economic Council, 1990, 87). Here, the goal of securing full employment is abandoned in favour of a focus on inflation reduction and trade balance problems. The goal of lowering employment is thought to be primarily achieved through downward pressure on wages through labour market flexibilisation: “A lower increase in wage rate will lead to a higher rate in employment. If the wage formation is made more flexible (...) it means higher employment and lower structural unemployment” (Danish Economic Council, 1995, 67). This shift to structural policies represented at the same time a withdrawal of the state from a role as active coordinator and guarantor to one of frame setter. At the same time however, it represents a more ambitious state policy than in the FEK paradigm, where the role is to not only reduce the impact of market fluctuations and increase output, but also to formulate policies that aim to transform the structural conditions of the economy.

In contrast to FEK, the focus of NL is on long-term structural policies aimed at changing the underlying supply side features of the economy. Here, the expected role of the government is not framed as direct interference to ensure stability, but instead as the indirect role of removing obstacles, rigidities and distortions that allows market actors to create economic growth. This can be considered as a form of liberal governance, where indirect control takes precedence over the direct micromanagement associated with the Keynesian period. The primary goals here are labour market inflexibilities and the size of the public sector.¹⁰

5: HISTORICAL DEVELOPMENT

The notions of paradigm and paradigm shifts are most often associated with ruptures and sudden shifts. This is not so evident in the Danish case, however, where the transition happens more smoothly and in a disparate fashion.

The main development in the sampled material is a continued drift towards more market-based and liberal policies throughout the period of 1970 to 2000. This ideational development does not necessarily mean that all of this was translated into policy directly. The introduction of monetarist ideas and supply side economics into the economic thinking in Denmark did not lead to the radical reforms or redistribution of wealth and income that were seen in the Anglophone world in the 1980s. For instance, the main thrust of privatisation only came later in Denmark, in the 1990s (Lundkvist, 2009). Nevertheless, the ideational development is substantial.

In the following, I will go through the development from decade to decade, to show how new notions were imported gradually and in contradictory ways. It is noteworthy that even if shifts in the political orientation of

¹⁰ This view is put by the Ministry of Finance in its 1990 outlook as follows: “the largest (economic) problems are related to the size of the public sector, the tax structure and the labour market. (...) It must be judged that it is distortion through tax and tariffs, that have created a large part of the current account imbalance, and that it is structural problems in the labour market that make it hard to realise sustained reductions of unemployment” (Danish Government, 1990, 17).

the government have a small effect on the rhetoric, the main lines of development towards neoliberal common sense are unilinear over time, irrespective of the political orientation of the government.

The early to mid-1970s were characterised by the continued dominance of full employment Keynesianism. This is evident in the analysis and the economic reasoning of both the Ministry of Finance and the Economic Council. At the same time, the period is marked by the advent of the economic crisis and the inability of the classical Keynesian policy tools to re-establish full employment and reduce the deficit on the current account balance. The early 1970s witnessed a situation of consensus between the Economic Council and the Ministry of Finance around the perspective that the classical arsenal of countercyclical instruments must be used in order to return unemployment to acceptable levels¹¹. The Economic Council stated here that “the dominant question is naturally the possibilities of reducing the high unemployment” (Danish Economic Council, 1975, 55), whereas the Ministry of Finance advised the use of “fiscal stimulus to reduce unemployment to ‘acceptable levels’” (Danish Government, 1975, 5). Income policy is here seen as key to maintain the primary policy goals of full employment, trade balance surplus and moderate inflation.

Table 2: Historical Developments

	1970s	1980s	1990s	2000s
State of paradigm	One paradigm-crisis	Competing paradigms	One paradigm - consensus	One paradigm – common sense
Dominant Paradigm	FEK	FEK vs NL	NL	NL
Main perceived problems	Trade balance Unemployment	Trade balance Inflation	Structural unemployment, Inflation Deficits	Demography Deficits Globalization
Dominant time frame	Short 1-2 years	Short/medium 5 years	Long 5-10 years	Long 10 years
Dominant instruments	Fiscal and monetary policy, income policy	Fiscal austerity, Structural reform	Structural reforms	Structural reforms
Government orientation	Shifting	Centre-right	Centre-left	Right

¹¹ In the 1975 document, this is defined as 4% (Danish Government, 1975, 5).

5.1: 1980s: ADAPTION AND RESISTANCE

The 1980s stands out as a somewhat schizophrenic period, where both the government and the Economic Council were trying to grapple with a shifting economic landscape with a set of analytical tools still drawn from the toolkit of Full employment Keynesianism. Both institutions tried to adapt the old understanding of the economy to the new set of constraints on policy caused by the international wave of neoliberal ideology that affected both international organisations and global scholarship (Harvey , 2007; Palley , 2004).

This led to divergent intellectual strategies:

The Ministry of Finance chose to follow the conclusions dictated by the changing pressures from international development, especially the rate hikes by the US Fed under Volker from 1979, (Eichengreen , 2008, 144), but also more direct political pressure from international organisations. As an example of the latter, pressure from the OECD played a central role (Marcussen , 2000). This started with a policy of pushing down wages through a combination of income policies and a turn towards fiscal austerity and strict monetary policy by the social democratic government in 1980 (Danish Government, 1980, 42). This turn away from expansive monetary and fiscal policy is further strengthened by the arrival of a new right wing coalition in 1982 that pegs the currency to the D-mark, thereby removing the possibility of independent monetary expansion and devaluation (Asmussen, 2007). What is noteworthy at this point is that the argumentation of neoclassical macroeconomics was not being employed at this point, and unemployment is described as a classical trade-off cost as a part of the Phillips curve relationship. It is a practical and political, rather than a theoretical divergence from Keynesian ideas (Government, 1985).

On the other hand, the independent economist in the Economic Council chose to stick with the old orthodoxy. During this period, the council launched critiques and alternative strategies based on Keynesian macroeconomic analyses and the goal of realising full employment policies, despite the changes in global economic conjunctures. In 1980, the council opposed the focus of the social democratic government on prioritising inflation over employment, and stated that it was possible to return to full employment within a few years (Danish Economic Council, 1980, 16). To reach this they advocated for an “investment and productivity led path, and thereby a path with expanding employment” as an alternative to the government’s attempt to “cut and tighten our way to an equilibrium on the current account balance, and thereby risk to be caught in long stagnation crisis” (Ibid 44). Traditional income policy with price and wage control continued to play a central role well into the 1980s as an alternative option to both monetarist policies and fiscal austerity (Danish Economic Council, 1985, 6).

In the wider Danish economics profession, discussions on the effectiveness of the Keynesian framework began in force in the early 1980s. In the main journal, *Nationaløkonomisk Tidsskrift*, there was a growing number of voices critiquing the efficacy of classical demand management and calling for a turn to stricter monetary policy (Sørensen , 1983; Thygesen , 1981, 1983). This new critique primarily cited the monetarist theories of Friedman (Friedman, 1968) and the “New Classical Macroeconomics” of Lucas and Barro (Barro , 1976; Lucas , 1976; 1980). The debate was by no means conclusive, and the defence of the Keynesian methodology remained strong (Andersen , 1983b; Sørensen , 1983). The Economic Council remained committed to a broadly Keynesian approach and a strategy of full employment into the 1980s. This is the case despite the brief membership of monetarist Niels Thygesen in 1984-85.

From the middle of the 1980s onwards, we see the emergence of the call for “structural reforms” in the Ministry of Finance. This aimed to change the underlying structure of the economy through long-term market-based reforms that were designed to strengthen domestic competition through deregulation and reducing the size of the public sector (Danish Government, 1985, 23-24).

Here we see for the first time that the government no longer employed a reasoning based on the demand-focused FEK, and relied instead on supply side argumentation and neoclassical reasoning, based on the perceived effects on microeconomic actors. Neoclassical microeconomics had been present in Denmark since the formation of the establishment of economic departments in the interwar years (Jesper Jespersen, 2008). But the methods and consideration played virtually no role in the macroeconomic discussion, and even less in the official debates about economic policy until the mid-1980s. At first, these new neoclassical elements played only a minor role, and the early adoption of monetarism was largely interpreted within a Keynesian framework as a trade-off. Later, especially with the introduction of long-term analysis, this reasoning takes precedence over the previous Keynesianism.

The continued rightward shift of government policies put heavier pressure on the Economic Council. Already, with the publication of the 1982 report, the body’s call for devaluation came under heavy fire from the entire spectrum of partners represented in the council: the economic ministries, the employer organisations and trade unions all criticised this break with the trend towards hard money policy and monetarism (Mikkelsen, 1987). The critique was supported by analysis and direct written interventions from the OECD (Marcussen, 2000). The presidency took note of this and in the period of 1983-87, we see a clear adaption to this new monetary orthodoxy. The 1987 special report on the history of the council describes this as a conscious decision – the presidency sensed the changing winds, and adapted accordingly. It was clear that the alternative would be political irrelevancy (Mikkelsen, 1987). From 1988, the call for income policy was abandoned, as the last vestiges of the FEK paradigm slipped away in favour of a move towards a “higher degree of market based wage structure through economic reforms” (Danish Economic Council, 1988, 49).

5.2: 1990s, THE FORMATION OF A NEW CONSENSUS

While the 1980s were characterised by a large degree of divergence and debate over differences in instruments and the priorities of policy goals, the 1990s witnessed a re-emergence of a consensus along the broad lines of macroeconomic policy. From the early 1990s, a new, coherent paradigm of neoclassical liberalism can be discerned. This paradigm matched the new policy goals and instruments that the government has been pursuing for the last decade.

This also gave a new and less ambiguous role for the newly reconstituted Economic Council. The tenets of neoclassical economics were used as the basis for a number of calls for deregulation, privatisation, and public sector reform. This development was summed up by former Economic Council chair Peter Birch Sørensen as follows: “over time, the weight of the reports have gradually shifted towards more emphasis on long-term structural policy issues at the expense of consideration of short-term cyclical policy”. Members of the Economic Council in 2009 retrospectively described how “from the late 1980s onwards the reports began largely focusing on structural problems” (Sørensen & Rosholm, 2009, 10).

This development was to a certain extent driven by the arrival of a new generation of macroeconomists. They directly refuted the post-war Keynesian methodology in favour of Friedman’s monetarism or neoclassical macroeconomics and rational actor models, based on the works of Lucas and Sargent from the early 1980s. Economists such as Torben M. Andersen (Andersen, 1988), who became a member of the chairmanship of the

Economic Council in 1993 and later its chairman in 2001-3, or Peter Birch Sørensen (Sørensen, 1983), who was chairman from 2004-9, played a central role in this development. They are still centrally placed actors in the Danish macroeconomic establishment today (Stahl & Henriksen, 2014).

However, this paradigm shift around the early 1990s can hardly be explained by the replacement of people alone. On the contrary, the transition was characterised by a large degree of continuity. This seems to be the case because the shift in paradigms did not take the form of replacement of one theory with the other, but rather with a more subtle displacement of the objects, goals and timeframes of macroeconomic policy.

5.2.1 Shifts in time horizon

In this process of subtle displacement, particularly the shift from short to long term is crucial. The 1990s witnessed a continuous shift in the focus of policy analysis from a shorter time horizon to a longer one. The time frame for policies gradually changed from a two-five year perspective to 10-20 years. This shift in time horizons is significant. It might not be a great difference in the actual number of years considered, but the theoretical difference is important, because the new long-term focus implies a shift towards neoclassical theory. In the neoclassical synthesis that dominated the economic profession in the post-war era, the short-term was dominated by Keynesian ideas of market failures where government intervention and planning could help steer the economy through the instability and cyclical fluctuations of the market. In the long-term, however, demand and supply were thought to be in equilibrium, and market forces were thus able to create pareto-efficient outcomes if left to themselves (Fine, 1998; Foley, 2010a). In this way, the tension between micro and macro within the economic theory of the post-war economics profession allowed for a radical shift in policy outcomes, simply by allowing the assumptions of neoclassical microeconomics to enter the debates on macroeconomics, hitherto dominated by Keynesianism.

Because this development took the form of a shift in time-horizon, and not in direct polemics, it allowed for a relatively radical shift in outlook over the decades, without jettisoning the theoretical consensus that is a hallmark of the Economic Council and of the wider Danish macroeconomic establishment.

It is necessary here to recognise that some form of moderate Keynesianism never really disappeared from the macroeconomic debate in Denmark in this period. The models of the Economic Council, as well as the Ministry of Finance, retained some Keynesian elements throughout the period (Danmarks Statistik, 2012). As an example of this, the presidency continued to describe itself as a mix between Keynesian and neo-classical theories (Andersen, 2002; Kærgård, 1996, 2008). From the mid-1980s onwards, it was nevertheless the long-term analysis that was allowed to do the heavy analytical lifting. The brief deployment of Keynesian stimulus by the recently elected social democratic government in 1993-94 (Asmussen 2007) does not change the clear tendency in the 1990s, in the main part of the analysis, to focus on the long-term horizon, where the assumptions of neoclassical economics are thought to hold. This entails a shared understanding of the ubiquitous requirement for economic reforms. The language of “reforms” is the consistently-used shorthand for the flexibilisation of labour market regulation, the reduction of benefits and a reduction of public sector spending (Danish Government, 1995, 23; 1990, 17; Danish Economic Council, 1990, 78; 1995, 67-68). This new consensus was eased with the arrival of the New Keynesian, promoted by economists like Krugman and Roemer from the 1990s onwards. Through concepts such as sticky wages and market failures, the New Keynesians adapted the new dominant neoclassical framework, but allowed for a limited use of the traditional instruments of Keynesian demand management (Eatwell & Milgate, 2011, 59).

5.2.2 Abandonment of full employment

In FEK, the aim was to secure full employment through the continuous adjustment of economic instruments and negotiation with economic actors – a job that almost solely takes place in the short term of one-two years. In

NL, the goal of full employment is given up and the role of short-term policy is mainly to stabilise the economy, avoiding large fluctuations from a natural level of unemployment, set by structural long-term factors. A large part of the paradigm shift therefore took the form of a gradual replacement of the short by the long term, as described above. At the same time, the prospect of full employment disappeared entirely from the discussion and the attempt from the 1970s to reach this was used as negative example. Instead, the terms “structural” or “natural” unemployment were introduced as a necessity in ensuring economic stability ¹²(Skott , 1996). In the 1990 report, the Economic Council refutes any prospect of implementing ambitious policies against the prevalent mass unemployment on the grounds that “it is possible to lead a more ambitious employment policy than abroad, without hurting the wage competitiveness and the current account balance”. The report continues that this will lead to “insufficient incentives to wage restraint from labour market actors” (Danish Economic Council, 1990, 68).

The constant call for these reforms points to a redefinition of the role of the state in the economy. The main difference in the policy attitudes between the two periods is less the application of certain instruments of demand management, but rather the overall conception of the role of the state in the economy. The FEK paradigm allowed for an active role of the state in the manipulation of macroeconomic variables through policy or negotiation. Within a neoclassical framework, the levels of investment and employment are determined by agents on the market, and the role of the state is merely that of providing the right framework and institutions to allow the space for market actors and “real” economic activity.

The move towards the long-term in economic analysis was further strengthened by the expansion of the use of formal econometric models. Predictive economic models had been in use in Denmark since the 1970s. The first macroeconomic models of the Danish economy were developed by Ellen Andersen of Copenhagen University, and they would later develop into the ADAM-model employed by the Danish bureau of statistics and the Ministry of Finance. The Economic Council quickly followed suit with their own SMEC-model (Andersen , 1983a; Danmarks Statistik, 2012). The use of economic models did not become universal as a practice before the mid-to late 1990s, because the available models were primarily able to model short-term fluctuation (Jespersen , 1991). In the course of the 1990s, the demand for a pure general equilibrium model for long-term structural reforms grew stronger. From 1997, the DREAM (Danish Rational Economic Actor Model¹³), was put into use. It was Denmark’s first pure neoclassical general equilibrium-model with rational individuals and full neoclassical assumptions. From the early 2000s, the DREAM model was used to benchmark most policy initiatives, and its use cemented the almost exclusive focus on long-term supply side reforms.

53: 2000s: CONSOLIDATION OF COMMON SENSE

In the late 1990s, and the early 2000s, the new paradigm hardened further. From this point onwards, the instruments and understandings of neoclassical liberalism are no longer discussed as policy preferences, but are instead seen as the necessary basis for the formulation of any policy at all.

In this way, reform ideas such as benefits retrenchment and labour market flexibilisation are moved from proposals in need of argumentative defence into the background of assumptions and common sense. In its 2000 report, the Ministry of Finance presented this common sense as: “a strong economy, international openness, structural policies and sound finances are not goals in themselves. They are *necessary instruments* to achieve higher

¹² The idea of a natural floor under which long-term unemployment cannot be reduced without detrimental inflation originates from Milton Friedman in 1968 (Friedman, 1968)

¹³ As a picture of the tight knit networks of the Danish economics profession, the model was created by Lars Haagen Petersen, former head of the secretariat at the Economic Council, but later employed in the model division in the ministry of finance. (Henriksen, 2013)

living standard, solid employment, welfare, social cohesion etc.” (Danish Government, 2000, 9). But the instruments used to reach these goals were the same as the ones proposed to improve the macroeconomic balances in the 1980s. Whereas the early liberalisations were presented as attempts to correct macroeconomic imbalances, in the 2004 report from the Ministry of Finance, the absence of any macroeconomic problem is used as a reason “to focus on the long-term challenges” (Danish Government, 2004, 9).

In this way, liberal reform proposals were no longer necessarily tied to any specific policy goals, such as combatting inflation or bettering the current account balance. Instead, they are seen as the necessary remedies to reach any political goals at all. The ideas have been fully depoliticised and turned into elite common sense.

The transition to the complete hegemony of neoclassical thinking can be seen from the early 2000s. Two developments characterise this. Firstly, the complete dominance of the long-term in economic policy planning is heralded by the so-called 2010 plan from 2001, which tied the entire economic reform programme to long-term analysis (Danish Government, 2001). Parallel to this, we see the introduction and wide application of the pure neoclassical DREAM model from 1997, with its assumption of automatic long-term equilibrium¹⁴ that is especially salient when it comes to the field of labour supply. The assumption that market forces will automatically regulate any given market in the long-term means that any reforms aimed at expanding the labour supply, such as pension reform and the reduction of benefits, are automatically seen as being economically beneficial.

5.3.1 New areas seen as economic policy.

It was not only the timeframe of economic analysis that was transformed with the transition from FEK to the NL paradigm. It was also the space and scope of macroeconomic policy in the wider society.

On the surface, the FEK paradigm presented an extremely ambitious policy programme for the prospects of a capitalism without crisis and unemployment. But at the same time, the range of instruments such as demand management and income policy presented only short-term and shallow interventions in the economy. On the surface, NL presents a far more humble program. Torben M Andersen described in 1988 how “new economic theory leads to a more pessimistic view on stabilisation, than the one characteristic of Keynesianism” (Andersen, 1988, 33). But at the same time, the emergence and expansion of the structural reform programme meant that macroeconomic concerns widened to cover a much larger part of society.

Here, the scope of macroeconomic policy expands. Traditional elements like monetary policy or currencies are taken out of the toolbox, or replaced with simple rules, while a new set of “structural” tools are put in place. Some of these are the traditional market-based tools of deregulation, flexibilisation and tax reduction. But there are also new areas that are included in the realms of economic consideration, such as “education” (Danish Economic Council, 1995, 91), “health policy” (Danish Economic Council, 2000, 15) or “innovation and culture of entrepreneurship”¹⁵ (Danish Government 2000, 119). Suddenly, policy areas that were not seen as central to the economic sphere in the earlier period were included into the macroeconomic toolbox of the government. Here “human capital” is not seen as a mere unalterable factor of production, but instead as an area of investment. The underlying assumptions are that future economic conditions can be altered by altering the subjectivities and capabilities of the population.

¹⁴ “The model is a long-run model in the sense that prices and wages are assumed to create equilibrium in all markets in each period. (...) Structural unemployment is basically exogenous in DREAM.”(DREAM, 2014)

¹⁵ Interestingly this last case is the only place where non-neoclassical theories are employed as the basis of liberalisation and structural reforms, with the application of argumentation drawn from Schumpeterian innovation theory and especially the works of professor Bengt-Åke Lundvall and his 1999 report, *Det danske innovationssystem* (Danish Government, 2001, 206).

6: DISCUSSION

This historical trajectory leaves us with several conclusions. Firstly, we clearly see distinct changes in the dominant economic ideas in the Danish macroeconomic establishment. The transition towards a liberal conception of the economy is gradual, but consistent. The development continues throughout the period, despite changes in government between left and right. In that sense, we can speak of an institutionalisation of neoliberal reason, in the form of the complete domination of the neoclassical liberalism paradigm in the main institutions of the macroeconomic establishment. Other studies have pointed towards a similar neoclassical dominance in the use of economic experts in the media (Madsen, 2009). This paradigm shift, however, happened gradually, and it is not characterised by a simple replacement of Keynesian ideas with neoclassical ones. What happened was a relatively brief change in accepted policy instruments from the early 1980s, with a turn towards monetarism. Subsequently, a slower transition happened at the intellectual level, largely driven by the displacement of analysis towards the long-term, and by the greater role of mathematical modelling. At the same time, the focus on long-term supply-oriented reforms meant that new areas became the target of macroeconomic policy, such as education and health. This process of displacement in time and space, rather than the direct replacement of one theory with another, means that the shift between paradigms took place in a smooth and gradual way. This process was further strengthened by the consensus-prone nature of the Danish macroeconomic establishment.

The trajectory of neoliberalism as described above does not point towards the spread of ideas as a very central mechanism in the introduction of neoliberal policies. The policies that were dominant internationally, especially the turn towards monetarism and fiscal austerity in the early 1980s, were implemented before the theoretical justification was in place as the new dominant paradigm. It is only later, and in a much more gradual manner, that the discursive hegemony of neoclassical liberalism was established. As such, the turn to the new policies pre-empted the dominance of neoliberal ideas.

This could point towards shifts in economic conditions and geopolitical developments as more important factors in spreading neoliberalism to Denmark than the direct transfer of ideas. However, the scope of the current investigation does not allow for any hard conclusion in this regard.

If neoliberal ideas did not shape the Danish turn towards neoliberalism, this does not preclude the fact that they play a central role in the continued persistence of such policies, especially with the continued strengthening of neoclassical liberalism even under social-democratic governments in the 1990s. This points to the central role of the shifts of centre-left parties, in the institutionalisation of the tenets of neoliberalism, from direct political project to elite common sense (Cahill, 2014; Mudge, 2011). I will argue here that economic theory, both in the case of the post-war Keynesian period and in the neoclassical period seems to function in a legitimating rather than a strategic role.

Keynesian demand management was never the central feature of the social democratic order in Scandinavia. The spectacular rise in public spending and fall in inequality in the post-war period (Atkinson & Sogaard, 2013) both seem to have very little to do with the cyclical policies in place, and the realisation of full employment in the pre-1973 years was reached while maintaining a consistent positive fiscal balance (Glyn, 1995, 10). But the language of mainstream Keynesian economics remained central in the presentation and evaluation of policy, because it proposed a way of explaining how a positive-sum solution for both labour and business was possible through government intervention. As such, it created the legitimacy of active state policies. The same can be said of the neoclassical discourse that gradually came to dominate the macroeconomic establishment in the 1980s and 1990s. At the start of the turn to monetarist policies in the 1980s, these policies were presented in terms of

classical Keynesian trade-offs, where combatting inflation and bettering the current account balance were pursued with the acknowledged result of higher unemployment.

It is only from the late 1980s, and with full effect from the 1990s, that argumentation from neoclassical microeconomics presents a new framework for presenting strict monetary policies, market reforms and even fiscal austerity as the only possible way of securing sustainable growth, ruling out any possibility of a long-run conflict between differing policy goals. By reframing the role of government from an active coordinator to a neutral frame-setter, the only scope of pro-employment reform is restricted to supply-side reforms aimed at the flexibilisation of the labour market. Indeed, these policies are even presented as the foundation of social policy goals, such as employment, equality and social cohesion, that they would otherwise seem to work against. With the technological support of GE-models, this allows for technical and neutral argumentation that presented a much firmer orthodoxy than argumentation based on the discussion of policy goals and trade-offs.

The conclusion that economic ideas functioned more as legitimating than strategic in this context by no means implies that they were unimportant. It is a crucial function for any government to be able to present policies that are considered to be coherent, effective and justified – not only in electoral terms, to survive politically, but also (in a capitalist economy) to the owners of capital, so as to ensure a sufficient level of investment and avoid capital flight. Indeed, Wolfgang Streeck points out that for the government of a globalised capitalist economy with widespread capital mobility, legitimation to the owners of capital can be as important, if not more important, than to the wider population (Streeck, 2014, 21). Following Streeck, the legitimating function remains one of the central tenets of any macroeconomic policy. As such, the claim that economic ideas primarily functioned as legitimating, rather than strategic, is by no means a dismissal of the significance of ideas. Rather, it points toward the need for more empirical studies into the ways in which economic theories and ideas are translated into legitimating discourses in different historical and institutional contexts.

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